



CONNECTICUT BUSINESS & INDUSTRY ASSOCIATION

TESTIMONY
BEFORE THE
COMMERCE COMMITTEE
LEGISLATIVE OFFICE BUILDING
FEBRUARY 3, 2011

AMENDED TESTIMONY SB 842

Good afternoon Senator LeBeau, Representative Berger, and members of the Commerce Committee. We are Bonnie Stewart, Vice President and Council, and Pete Gioia, Vice President and Chief Economist with the Connecticut Business and Industry Association. CBIA represents approximately 10,000 member companies across virtually every industry in the state. An overwhelming majority of our membership consists of companies with fewer than 50 employees.

As we look to signs of economic recovery on the national stage, careful consideration should be given to any new piece of legislation that may act to slow that recovery here at home in Connecticut. For that reason, legislation with a jobs impact warrants close attention and we thank you for raising this measure. CBIA supports the goal of **SB 842 AA REQUIRING JOBS IMPACT STATEMENTS ON LEGISLATION AFFECTING EMPLOYMENT IN THE STATE** insofar as it seeks an accounting of a given law's effect on employment, however we caution that an impact statement based on an improperly performed economic model would diminish an accurate understanding of a particular law's effect. Also: there are important economic factors that popular modeling entirely omits. We would therefore support a modified version of this bill that takes into consideration the need for the best economic modeling possible.

The REMI model forecasting tool that would be employed by OFA to do the impact is very sophisticated. Nevertheless, any tool is only as good as the expertise of those managing it. This is why we are very concerned that OFA is estimating the need for only \$120,000 for two staffers to use the tool. This implies two "green" hires rather than at least one with comprehensive experience using this model. To use REMI correctly someone would need to be BOTH an experienced (10 years plus experience) business economist who thoroughly understands businesses and job creation as well as public policy effects on business decisions AND an experienced user of REMI. Such a person's salary requirements alone may outstrip the budget estimate.

Don't misunderstand us, we think this is an important positive step to better craft solid legislation, we are just concerned that the state do this correctly and that the legislature is given the best nonpartisan, objective information in order to make excellent choices.

It is critical that the proposed impact statements reflect the full economic value of a given measure by showing its impact on *overall state employment levels* rather than simply the number or lack of "added jobs." A REMI analysis, done right, can accurately reflect the results of capital investment, the "multiplier" effect of manufacturing jobs on overall employment, and to a certain degree relative job growth. Some data - increased relative state competitiveness comes to mind - is not necessarily reflected in even a thorough

REMI analysis, which again underscores why those responsible for that analysis need to be both REMI experts and accomplished business economists.

Tax credits, for example, can have a very positive effect on overall employment by promoting job retention - jobs saved - where those jobs may have otherwise been lost. Also, Connecticut workers continue to rank among the most productive and innovative in the country precisely because our state's businesses are able to invest in their current workforce. Training that broadens an employee's skill set may have a neutral effect on overall job growth, but it makes an extant position more valuable to a given company and to state coffers. The foregoing examples represent the types of highly relevant economic data that an application of REMI analysis can overlook.

The necessary line drawing required to identify those bills that should be accompanied by a jobs impact statement could come at the discretion of certain committee chairs or ranking members. The chairs or ranking members of Labor, Commerce, Finance, Environment, or Energy could recommend that a bill receive job impact analysis.

Thank you for the opportunity to testify today. We would be happy to answer any questions that we can.